



**Action Memorandum**  
*for the Chief Office of Health*

**From:** Kristin Langlykke, SHIP Cognizant Technical Officer *J. Myzario*  
**Subject:** Authorization Amendment Five  
Strengthening Private Sector Health Institutions Project (SHIP), No. 527-0319  
**Date:** August 1, 2003

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**Action**

Your approval is requested to extend the life of project from 09/30/05 to 9/30/06 of the Strengthening Private Sector Health Institutions Project (SHIP), No. 527-0319, in order to extend the Completion Date of the Cooperative Agreement between USAID/Peru and Max Salud from its present end date of September 30, 2004 to the proposed new end date of September 30, 2006.

**Background**

The SHIP Project was approved on September 28, 1991, and a cooperative agreement (CA) was signed with CARE/Perú to implement the southern component. The northern component of SHIP was originally carried out under an institutional contract with University Research Corporation (URC), signed on June 20, 1994. Sanctions, followed by complex procurement issues, delayed the beginning of the northern component by nearly three years. Actual clinic operations did not begin until 1996, with the opening of two clinics and at the end of 1998 with the opening of two more. The present life of project completion date for the entire project is now September 30, 2005.

Under the southern component, all of the activities in Arequipa were completed by 1999 and in Puno by 2000. Based on its experience managing the southern component of SHIP, CARE provided a series of discrete technical assistance and research activities to improve the institutional, social and financial sustainability of Max Salud. For example, studies were performed to describe the unmet need for STI (sexually transmitted infection) and HIV/AIDS services within Max Salud and within its target communities, and to measure the feasibility of Max Salud assuming the management of the Ministry of Health La Victoria Health Center in Chiclayo.

Upon termination of the URC contract, USAID entered into a five-year cooperative agreement with Max Salud from October 1, 1999 through September 30, 2004.



## Discussion

Between October 1999 and March 2003, according to the most recent financial reports from Max Salud, the network of four clinics has increased overall sustainability from 42 percent of overall costs, including the management support unit, to generating income to cover 64 percent of operational costs. This is a reasonable achievement considering the several economic and political crises that Peru, and especially Chiclayo, has experienced in the past three years.

Max Salud has entered into several agreements to provide health care to members and affiliates of local organizations, arrangements that will both bring in more patients and guarantee reimbursement for services. These plans are complex to initiate and require a period of time to make needed adjustments and consolidate membership. The latest agreement in negotiation is with the Caja Rural in San Martin to provide primary health care to the 40,000 affiliated credit recipients. The Caja Rural will provide a clinic site, and Max Salud will renovate and equip the site and then provide care to members and others who choose to use the facility. This site will also serve to test the feasibility of self insurance schemes. In addition to the donation of space by the Caja Rural, Project HOPE has committed to provide donated medications and equipment valued at approximately \$90,000.

The clinic in San Martin follows the establishment of a new clinic in Cajamarca, that will be collaboratively managed by the Lions Club of Cajamarca, the Ministry of Health, Max Salud and the University of Cajamarca. This expansion remains within the management capacity of Max Salud, and based on no increase in management costs, will help to increase the income generating base of the organization. Prevailing opinion is that a minimum of six clinics is needed to sustain Max Salud. In addition to the clinical sites in Tarapoto and Cajamarca, Max Salud is negotiating with the Ministry of Health in Lambayeque to take over a rural clinic, not too far from the Lambayeque Clinic. The development and consolidation of new clinical sites, once approved by USAID and the Max Salud Board of Directors, will require at least three years of ongoing technical and financial support.

The potential new site using a rural Ministry of Health facility would operate under a shared management model. Max Salud would renovate, equip and manage the facility, and the Ministry would provide personnel. Since staff salaries are a major expense in running any health facility, this would represent significant support. This model is complex and several details will have to be negotiated. In addition to expanding the Max Salud network of services, this arrangement will contribute critical information and experience to the present health sector reform debates in Peru. Such a collaborative venture with the Ministry of Health further opens the door to public/private collaboration schemes, such as designating Max Salud as an approved site for delivering health care to SIS insured patients (Seguro Integrado de Salud).

The benefits of Max Salud as a model to promote policy and practice reforms have not been fully exploited. Max Salud has the potential to serve as a laboratory in such areas as family and community centered primary health care, private delivery of care to sectors customarily cared for by the Ministry of Health, local control of health services, public funding of private care, and specialized care for at risk populations such as adolescents, malnourished children, or people living with HIV/AIDS.



## **Description of Activities to be Performed and Results Expected During the Extension Period**

Max Salud activities will be directed toward achieving six major goals related to assuring access to primary health care, contributing to health care reform dialogue, and institutional, financial and social sustainability. Based primarily on the objectives and strategies of Max Salud's recently updated 5-year strategic plan, the following activities are contemplated:

### **I. Goal: Strengthen institutional sustainability of Max Salud.**

#### **Component I.1. Strengthened management of Max Salud.**

##### **I.1.1. Objective: Establish and refine responsibilities of the Max Salud governing bodies to support the development and efficient management of the institution.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Involve the General Assembly and Board of Directors in the development and refinement of the conceptual base and management model of health services.	Max Salud governing bodies with defined responsibilities contributing to the development and efficient management of the institution.	12/03 and annually

##### **I.1.2. Objective: Implement permanent system of management and analysis of information and define new platform for Max Salud information system (SIMAX).**

Restructure Max Salud information system (SIMAX) to respond to the emerging necessities of the institution.	New information platform defined and implemented.  Technical Committee established and functioning to analyze production and cost information	09/04
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##### **I.1.3. Objective: Redefine and operationalize the administrative model of the UAG (Unidad Administrativa Gerencial) in accordance with the institutional development of Max Salud and local market demands.**

Modify the administrative structure of the UAG according to the institutional development needs and demands of the market.	New structural and functional model of the UAG established.  Functions and key processes decentralized and functioning.	12/03  01/04
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## **Component I.2. Max Salud service provision model.**

**I.2.1. Objective: Establish a service provision model that is replicable and adaptable to other institutions.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Revise, adjust and develop descriptive model of service provision.	Model developed, described and replicated in at least one other institution.	6/04

## **Component I.3. Human resources management.**

**I.3.1 Objective: Establish policies related to human resource development that include continuing education, employee evaluation and incentive system and a national/international exchange program.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Redesign and update Max Salud Human Resource Development plan addressing the strategic development focus of the institution.	Integrated Human Resource Development Plan that results in the satisfaction, motivation and fair compensation of personnel and assures their significant contribution to the development and sustainability of the institution.	12/03
Promote and strengthen the financial management capacity of all key administrative employees and assure that financial management principals are applied in all routine decisions and actions.	Management team using financial management tools for decision-making.	4/04

**I.3.2. Objective: Achieve an organizational climate that is agreeable and based on cooperation and teamwork.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Design a program of continuous improvement in work environment of Max Salud.	Multidisciplinary teams formed in all clinics and functioning to make decisions and assure quality care.	3/04



**Component I.4. Max Salud position in the health services market.**

**I.4.1. Objective: Consolidate institutional agreements.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Establish strategic alliances and/or cooperating agreements for purchase of services, fee for service payments, or interchange of services with other public and/or private institutions.	Four alliances/agreements signed and functioning annually.	12/04 and annually

**II. Goal: Expand the network of Max Salud clinics based on market feasibility studies and in collaboration with local institution(s).**

**Component II.1. Maintenance of knowledge of health services market.**

**II.1.1. Objective: Monitor market.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Identify unmet need for health care through studies of supply and demand in population centers that are potential sites for Max Salud expansion.	Three market studies in likely areas for expansion completed and market monitoring system in place.	Cajamarca 07/03 Tarapoto 10/03 Rural Lamb. 04/04

**II.1.2. Objective: Determine technical and financial feasibility of expansion of services.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Identify technical and financial possibilities for replicating the Max Salud health care delivery model in target areas.	Three financial feasibility studies completed and analyzed.	Cajamarca 07/03 Tarapoto 10/03 Rural Lamb. 04/04
	Three technical feasibility studies completed and analyzed.	Cajamarca 08/03 Tarapoto 11/03 Rural Lamb. 05/04

**III. Goal: Strengthen the financial sustainability of Max Salud developing a financial management model based on participation and results determined by each clinic in a decentralized fashion.**

**Component III.1. Strengthened financial management of Max Salud.**

**III.1.1. Objective: Define and promote an institutional cost control policy based on the use of the cost system – SICI-SIMAX.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Design a budgeting system (development and control) that guarantees consistency between budgeted items and actual expenses.	Reach 69% financial sustainability.	12/04
	Reach 76% financial sustainability.	12/05
	Reach 83% financial sustainability	9/06

**III.1.2. Objective: Establish plans and activities to obtain alternate sources of funding.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Manage effectively Max Salud Sustainability Fund.	Funds available to cover 17% gap between costs and recuperation at end of cooperative agreement.	9/06
Develop and submit for funding projects for financing from other funding sources.	Funds available to cover 17% gap between costs and recuperation at end of cooperative agreement.	9/06

**Component III.2. Marketing of Max Salud health care services.**

**III.2.1. Objective: Consolidate and diversify services.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Consolidate Max Salud "Star" services and products.	Two "Star" products strengthened and consolidated.	6/04
		12/04
		6/05
Design and implement new services and products.	Two new services/products designed and implemented.	12/04
		12/05
		12/06
Strengthen social marketing strategies.	Social marketing plan established and functioning.	2/04

**IV. Goal: Strengthen the social and institutional sustainability of Max Salud.**

**Component IV.1. Development and implementation of social projects.**



**IV.1.1. Objective: Promote community social development capacity in self care and to develop community support for Max Salud by designing and implementing high social impact, low cost outreach activities to low income groups.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Promote community capacity in health promotion and illness and injury prevention.	Four local health plans developed and implemented annually (catchment areas of four Max Salud Clinics). Four community health meetings every two years (catchment areas of four Max Salud Clinics).	4/04, 4/05, 4/06  4/04, 4/06
Train community members and develop approaches in participatory management of health care services.	Community health promoters participate in Clinic team meetings and quality assurance activities.	Ongoing
Achieve non-USAID donations and financial support for health promotion and illness and injury prevention.	One project funded with non-USAID funds.	12/05
Perform high social impact surgical procedures (repair of cleft palate and other congenital defects) for low income children as part of commitment to serving the community.	Minimum of 60 procedures per year over next three years.	12/04, 12/05, 10/06.

**Component IV.2. Improved information, education and communication activities (IEC).**

**IV.2.1. Objective: Strengthen existing and develop new communications and behavior change methodologies.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Establish IEC planning and implementation committees involving Clinic personnel and community members.	IEC plan that involves Clinic staff and community participants developed and implemented	04/04
Construct healthy communities framework including objectives and monitoring plan and implement activities to achieve objectives.	Healthy communities framework established and implemented in four target areas corresponding to each Max Salud clinic.	09/04 09/05
Develop model for addressing youth participation in health promotion and illness and injury prevention.	Model of youth participation developed, validated and implemented.	12/05



Strengthen and consolidate model of domestic violence prevention and treatment.	Model of domestic violence prevention and treatment validated and replicated in two additional communities.	06/05
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**V. Goal: Achieve operational/services sustainability by assuring quality health care service provision that responds to the needs and interests of the community.**

**Component V.1. Increased health care coverage in and improved health status of target communities.**

**V.1.1. Objective: Increase primary health care coverage in target groups with unmet needs for health care.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Develop new health promotion/illness and injury prevention programs that respond to the identified needs of the target population.	Three new health promotion/illness and injury prevention programs implemented in collaboration with the target population and other public institutions.	04/04 05/05 05/06
Establish a health status monitoring system for Max Salud target populations.	Health status monitoring system developed and functioning in four target populations that correspond to current Max Salud clinics. System functioning for target populations in new clinics.	12/04
Use health status monitoring system in coordination with Clinic IEC committees to promote healthy life styles and healthy communities.	Reduction in priority health problems identified by the target population of each current Max Salud Clinic, and of each new Clinic.	06/06

**Component V.2. Management of health care services.**

**V.2.1. Objective: Assure provision of health care that is safe, effective and efficient through development of a culture of quality in Max Salud Clinics and the administrative unit.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Strengthen and expand Max Salud quality improvement program ensuring compliance with standards and technical guidelines of the program.	Quality standards identified, validated and applied in all Max Salud services.	12/03



Develop replicable framework for Max Salud quality assurance program.	Max Salud quality assurance program replicated in at least one other health system.	06/04
Develop and implement training program in quality improvement in collaboration with local university, using Max Salud as learning laboratory.	First enrollee group completed quality assurance course.	12/04

**V.2.2. Objective: Apply effectively and efficiently modern management tools in order to make optimal use of Max Salud human and material resources.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Apply management plan to maximize the operational capacity of health care services.	Increased utilization in all four current Max Salud clinics.	12/04, 12/05, 10/06
Develop and implement plan to achieve accreditation of Max Salud health facilities.	Max Salud Clinics accredited.	Bolognesi, 12/04 Balta, 3/05 Urrunaga, 5/05 Lambayeque, 8/05 Cajamarca, 4/06 Tarapoto, 9/06

**Component V.3. Equipment maintenance and purchase.**

**V.3.1. Objective: Detect in a timely fashion needs for equipment maintenance and purchase in Max Salud clinics.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Design and implement equipment maintenance and purchase plan.	Integrated maintenance and equipment purchase plan implemented.	1/04
Improve Max Salud diagnostic services.	Modern diagnostic equipment operational: Portable xray equipment – Lambayeque Laparoscopy equipment - Lambayeque Sonogram – Urrunaga Sonogram – Lambayeque Xray equipment – Bolognesi	03/04 6/04 12/04 1/05 04/06

#### **Component V.4. Infrastructure maintenance and improvement.**

**V.4.1. Objective: Determine mechanisms to identify Max Salud infrastructure needs taking into account market studies and determination of demand.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Design and implement plan for infrastructure improvement and expansion.	Max Salud infrastructure is sufficient to support services that accommodate demand.	Annually
Maintain infrastructure (cleanliness, repairs, external appearance, etc.).	Client satisfaction with infrastructure (cleanliness, comfort, agreeable surroundings).	Annually

#### **VI. Goal: Contribute to health care policy and practice reform debate.**

##### **Component VI.1. Public/private collaboration.**

**VI.1.1. Objective: Promote collaboration between and among public and private institutions in Lambayeque to improve health status of the population.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Participate with Ministry of Health (MOH) and other institutions to plan health interventions to address priority health problems.	Joint activities with MOH and other institutions to address priority health problems.	12/03 and ongoing
Contribute to development and implementation of decentralized regional health plan.	Regional health plan developed, implemented and monitored.	12/03 and ongoing
Maintain and expand agreements with Universidad Nacional Pedro Ruiz Gallo and other Universities to: (1)train health sciences students in primary health care and community participation; and (2)sponsor students and faculty to conduct health services and public health research.	Courses and clinical placements in primary health care and community participation conducted by Max Salud; and Published research (2 publications annually).	Ongoing  9/05 9/06



## **Component VI.2. Financing health care (insurance, prepaid plans, membership plans).**

### **Objective VI.2.1. Determine feasibility of health care financing schemes.**

ACTIVITY	PRODUCT/OUTCOME	Date Expected
Assess existing membership, prepaid plans (faculty/students of Universidad Nacional PRG, Parto Feliz, etc.) for viability and profitability (including meeting established enrollment goals and level of contribution to sustainability).	Assessment of utility of membership plans, prepaid plans. Plans modified accordingly.	12/03 and ongoing
Initiate and monitor self insurance plan with enrollees of the Caja Rural in San Martin.	Insurance plan in place 5,000 members first year 7,000 members second year 10,000 members third year Annual assessment and modifications.	10/05 10/06 10/07 Annually
Establish Max Salud as payee for public insurance system (Seguro Integrado de Salud/SIS).	20 percent of Max Salud patients insured by SIS (or equivalent public system).	10/05

#### *Projections and Plans for Achieving Sustainability*

Max Salud has a sustainability fund approaching US\$1.2 million, which is currently managed by the Board of Directors Committee on Sustainability together with the Executive Director. The principal is generated by earned income from Max Salud after operational expenses and is invested in local instruments in US dollars, presently earning approximately two percent interest. Small amounts have been invested in secured local credit institutions (Chamber of Commerce, Caja Rural) which pay up to 11 percent interest. Presently, interest generated by the fund is used to invest in infrastructure and equipment improvement and expansion. Such investment is calculated to increase Max Salud utilization and income by generating new services and accommodating more patients. Max Salud anticipates increasing the fund to approximately US\$1.5 million by the end of the cooperative agreement. Although not sufficient, interest from the fund will partially cover income/expense gaps when USAID funding ends.

Extending the cooperative agreement will provide sufficient funds and time for Max Salud to expand services, increase sustainability and contribute to health care reform in Peru, as described in the activity plan outlined in this memo. During this time, USAID will hold Max Salud accountable in several areas:

- Presence of and adherence to solid financial and management plan for the organization;
- Ongoing evidence of organizational stability and capacity of Max Salud;
- Maintenance of client satisfaction and quality of care;
- Progress toward attaining financial sustainability;
- Satisfactory functioning of Board of Directors; and



- Establishment of new services and clinics without increasing management burden.

### *Monitoring and Evaluation, Max Salud*

Max Salud will set short-, medium- and long-term goals and objectives and will establish an evaluation plan to measure the proposed outcomes of planned activities. Objectives will address financial, institutional and social sustainability. More specifically, objectives will address:

- targets for percentage of financial sustainability to be attained each year
- objectives for funds to be generated by other than patient revenues
- objectives describing desired actions and composition of the governing bodies (Board of Directors and General Assembly)
- objectives for community participation in clinic management, outreach and health education
- objectives for the development of new projects (such as school-based health screenings, environmental health initiatives, etc.)
- objectives related to the impact of Max Salud clinic-based and community outreach activities on health status of the target community (with emphasis on health problems identified by the community and/or the government such as maternal mortality, drug abuse and diarrheal disease).

### **Activity Management**

An FSN PSC or a USPSC, in close collaboration with the Health Team, will have the management responsibility for the activity. No additional staff positions will be required to manage the extended project.

### **Congressional Notification**

FY04 Budget Justification which expired on April 1, 2003 complies with this requirement.

### **Proposed Funding**

It is proposed that the cooperative agreement with Max Salud be extended for two years and that funding be increased by \$2,465,782 to a new total of \$7,055,286 to allow Max Salud to continue present services and expand to include three new sites if this is determined feasible based on market studies. This new total is within the \$27,795,000 approved for the SHIP Project. New site acquisition and management will be carefully monitored to maintain the purpose of SHIP and Max Salud while enhancing the institution's sustainability. Max Salud will contribute earnings (as a percentage of operational budget) to complement USAID funding. The attached revised budget (Attachment One includes the increase for the Max Salud Cooperative Agreement).

### **Regulatory and Policy Requirements**

Environmental threshold decision under LAC-IEE-99-48, dated September 24, 1999 applies to this Amendment. FY03 country checklist applies to this Amendment.

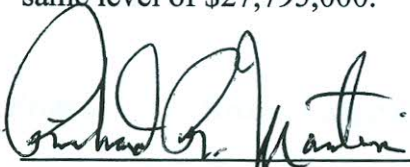
### **Authority**

You have been delegated the authority to approve this amendment through SO 1 AAD signed by the Acting Mission Director on May 15, 2002.



### Recommendation

Based on the rationale outlined above, it is recommended that you approve the extension of the SHIP life of project from 09/30/05 to 9/30/07. The life of project funding would remain at the same level of \$27,795,000.



Approved

Richard Martin, Chief, Office of Health

9-10-03

Date

Disapproved

Richard Martin, Chief, Office of Health

Date

Clearance:

PDP: EVarillas 

CONT:   R.V.

Date 9/8/03

Date 9/10/3

Attachment

One Illustrative Budget